

What is a Maquiladora?

A maquiladora is a Mexican assembly or manufacturing operation that can be subject to up to 100% non-Mexican ownership. Maquiladoras utilize competitively priced Mexican labor in assembly processing and other manufacturing operations. They bring in most capital equipment and machinery from abroad. Maquiladora operations are generally labor-intensive cost centers, with most production geared for export from Mexico. Maquiladoras may be entirely foreign managed, unlike multi-nationals operating in Mexico.

Where can a maquiladora locate?

Although most locate along the U. S./Mexican border, it is possible to locate anywhere Mexico, except for Mexico City.

What products can maquiladoras manufacture?

Maquiladoras can manufacture a broad array of products under Mexican law. There are exceptions to this allowance that include such industries as petroleum, petrochemicals, other chemicals, arms, and items containing radioactive elements.

Do products have to be fully assembled or processed in Mexico?

No. In fact, most items are further processed in the country to which they are ultimately re-exported.

Are Maquiladoras required to incorporate Mexican components?

No. Maquiladoras are not required to use any Mexican components in assembly processing or manufacturing.

What are the Mexican Tariff/ Duty policies relating to this program?

As long as the imported components brought into Mexico are destined for export, no Mexican import duty is levied on the temporarily imported maquiladora components. In lieu of duties, maquiladora operators must post a bond with the Mexican Customs Service to guarantee that components and raw materials are re-exported from Mexico within a 6-month period. A bond on capital equipment and machinery ensures that they will be fully returned to the maquiladora operator's country of origin once it ceases operations in Mexico.

What are the U.S. Tariff/Duty Policies relating to this program?

U. S. Customs has three regulations that complement the maquiladora program.

1. Allows the import into the U.S. of metal products processed abroad with duties assessed on the value added to those goods (for example, the total value of Mexican inputs, including labor, electricity, component parts, etc.) rather than levying an import duty on the total value of the product. The products must have been processed in the U.S. before being sent abroad and then must be further processed in the U.S. upon their return.
2. Customs provision allows an article assembled in Mexico from U.S. made components to be exempt from duty on the value of such components. These goods may or may not involve metal components. U.S. customs law allows for machinery of U.S. origin to be returned to the U.S. duty free.
3. If the goods assembled or manufactured in Mexico contain at least 35 percent Mexican content upon import into the U.S., they may be eligible for treatment under the U.S. Generalized System Preferences (GSP). GSP eligible items may enter the U. S. market with no duty levied.

What other options exist besides starting my own stand-alone maquiladora?

"Shelter", "sub-contract", and "turnkey" operations represent viable alternatives to full-fledged maquiladora operations. A sub-contract maquiladora operation involves the least commitment and/or activity on the part of the non-Mexican investor.

What about foreign employee and management entry into Mexico?

The maquiladora may bring in as many foreign employees as necessary with the exception of hourly laborers. All hourly employees are required to be Mexican. Foreign employees must obtain work visas.